

***The 2023 UK***

# **LGBTQ+ Founder Report**

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**Proud**   
**Ventures**

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## Executive Summary

Proud Ventures (PV) is a UK collective of LGBTQ+ investors, exited founders, angel investors and venture capitalists. Identifying a lack of awareness around LGBTQ+ experiences among investors in the wider tech community, PV started to collect data on the topic in 2022. The findings form the basis of this report, which aims to raise awareness of key issues and kickstart actions to create a more inclusive community with fairer distribution of opportunities.

Today, it's a small sign of progress that if you ask someone in tech or VC what percentage of VC funding goes to all-women\* teams, many will know the shockingly low statistic that this is less than 1% <sup>1</sup>. Similarly, if you ask the same question around all-black founding teams, many will know the statistic that this is also shockingly low at just 0.25% of UK VC funding <sup>2</sup>.

Yet if you were to ask the same question around all-LGBTQ+ cofounding teams, no one in the UK would currently be able to give you an answer.

This is simply as the data hasn't existed. As a result, any attempt to engage with or support the LGBTQ+ community in tech or VC has been held back by the repeated question of whether there is actually any problem to solve.

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<sup>1</sup> <https://diversity.vc/female-founders/>

<sup>2</sup> <https://2020.stateofeuropeantech.com/chapter/diversity-inclusion/article/diversity-inclusion/>

As a group of LGBTQ+ investors, exited founders, angel investors and venture capitalists, we felt like Proud Ventures was the perfect network from which to try to start to solve this problem and start a discussion in the ecosystem. Shine a light where others haven't been before and be that catalyst for change.

We hope you find the data in this report interesting and a cause for thought, discussion and, most importantly, action.

We also want to be clear that this data set is not, and was not intended to be, the perfect data set on all LGBTQ+ founders. Due to how fragmented our community is, and the previous lack of data, this would likely have been an unachievable task. We are also not a team of scientists whose full-time role is to carry out such research. Instead, the aim of our group was to collect enough data to show the clear different experiences that LGBTQ+ founders have compared to other founders, and use the resulting discussions to collaborate with others as a foundation for future change.

We wanted to thank Investec and Founders Factory for their support in making this report a reality. Every diversity initiative needs champions across an ecosystem to become reality, and we found our champions in some individuals within these companies. Without their support this report would look very different.

And finally we want to thank an organisation in the US called [StartOut](#). Their research, released on US LGBTQ+ founders in 2016, was a core inspiration for this report.

We hope you find this report both illuminating as well as giving you the confidence to take action.

Proud Ventures,  
February 2023



# Key Findings

**LGBTQ+ founders and investors aren't comfortable sharing their identities with others. Research suggests this leads to net worse health and cognitive performance outcomes**

- 75% of LGBTQ+ founders and 79% of LGBTQ+ VCs are withholding their identity to some degree from other investors in the ecosystem.
- Academic peer-reviewed research has shown clear negative impacts on LGBTQ+ people who are forced to conceal their identity, including worse health outcomes, including substance abuse, depression, increased incidence of cancers & infectious diseases and negative impacts on memory retention and cognitive performance.

**LGBTQ+ founders face additional barriers to raise, most affecting those identifying as women and non-binary in our community.**

- Our data set shows that gay founders raised a median of 2.25x more than bisexual founders and 22x more than lesbian founders.
- Cis man founders raise a median of 2.5x more than cis women founders and 10x more than trans founders.

**Investors currently overlook LGBTQ+ founders, unsure of how to support them and unaware of examples of direct queerphobia and discrimination.**

- Our survey data showed that just a 1/3 of VCs who stated they were taking action to support 'diverse' founders were doing anything to support LGBTQ+ founders.
- On the positive side, many VCs noted their interest to support LGBTQ+ founders, yet were unsure of what to do.
- More negatively, anonymous shocking stories showed that discrimination and homophobia are still present in our ecosystem.

**The LGBTQ+ community is a collection of people with a wide variety of identities and experiences - no two people are the same.**

- Whilst our data showed that in some areas there was agreement between a lot of respondents, a lot of areas showed the wide variety of views and experiences that LGBTQ+ founders have had.
- Anyone looking to engage with and support LGBTQ+ founders needs to be aware of the wide variety of experiences and identities in the community.

# Summary of Recommendations

This is a short summary of our recommendations to investors. For the full recommendations, with examples and example survey answers, head to [Page 30](#).

## **Publicly show your support for LGBTQ+ founders**

- Post your support on linkedin, add a diversity page to your website stating your support and attend/cohost events with communities of LGBTQ+ founders.

## **Have your team share your pronouns publicly**

- Add your pronouns to your email footer, Linkedin profile and Zoom username.

## **Quantify DEI metrics in your fund**

- You can only understand the problem when you measure it - start measuring diversity of your dealflow and investments in your portfolio.

## **Undertake training and honest discussions internally led by senior leadership**

- Start conversations within your team on the biases we all have and what actions we should all be taking.

## **Hire more diverse investment teams**

- Research is clear that more diverse investment teams both perform better in terms of returns but also attract more diverse dealflow.

# LGBTQ+ Founders & Investors Aren't Able To Be Their True Self, Hindering Business Performance & Damaging Their Health.

The data we received was clear that many people in the LGBTQ+ community, be it founders or investors, do not feel comfortable to share their identities with investors and other stakeholders.

75% of LGBTQ+ founders said they withheld their identity from investors in some form, whilst 79% of LGBTQ+ investors had concealed their identity in some form from fellow investors.

This is notable, especially when considered recent research which suggests that concealment can be a tax on LGBTQ+ people, including on their health and cognitive performance.

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It is a key difference to many other minority groups that many in the LGBTQ+ community might not have externally visible markers of their minority status. When combined with the historic and present discrimination against LGBTQ+ people in the UK, this has led large portions of the community to conceal parts or all of their identity in parts of their lives - an 'active, conscious, and purposeful withholding of information about a non-cisgender gender and/or non-heterosexual sexual identity from one's peers, families, and communities, often out of fear of reprisal or a sense of shame'<sup>3</sup>.

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<sup>3</sup> HIDING THE AUTHENTIC SELF: CONCEALMENT OF GENDER AND SEXUAL IDENTITY AND ITS CONSEQUENCES FOR AUTHENTICITY AND PSYCHOLOGICAL WELL-BEING (2021, University of Montana)



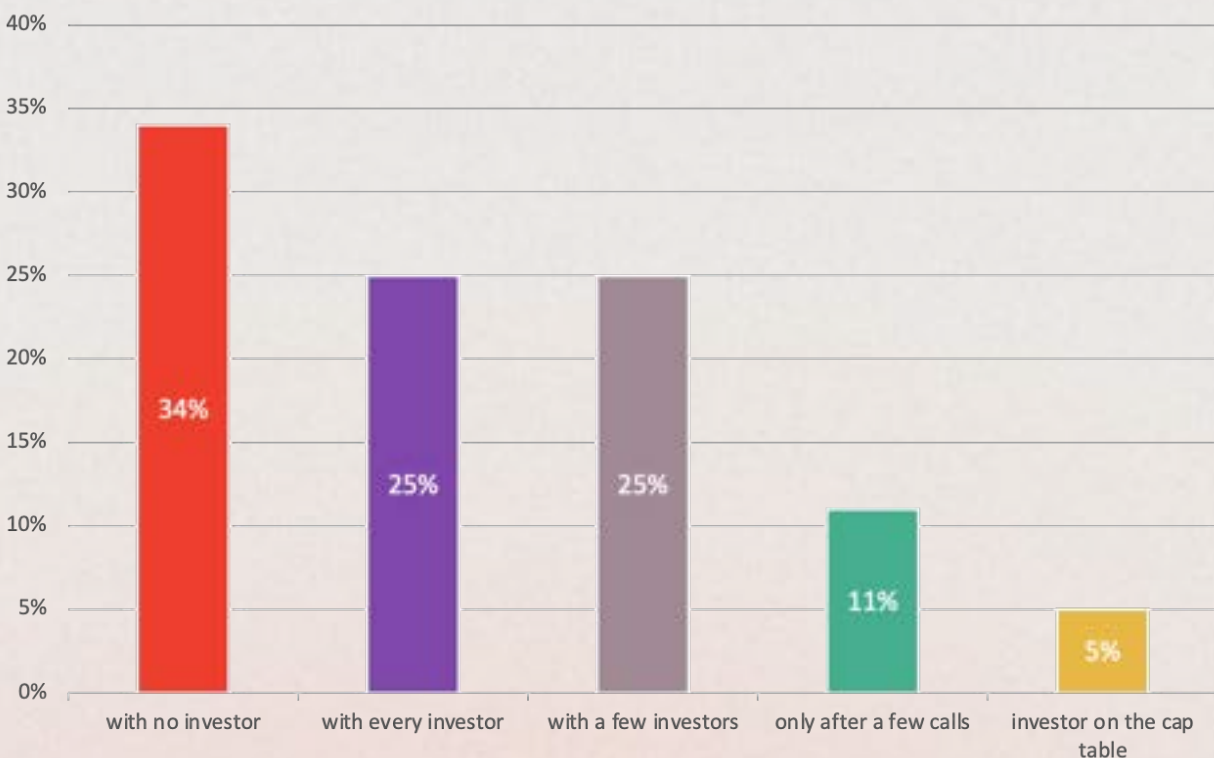
Our data reveals that concealment is a significant part of the experience for UK LGBTQ+ founders and investors.

## LGBTQ+ Founders

We asked founders how often they shared their LGBTQ+ identity with investors. Whilst, 25% noted that they were comfortable to share with every investor they met, a significant majority of LGBTQ+ founders noted they were self-selecting from sharing their identity with certain investors:

- 34% stated they didn't feel comfortable sharing with any investor at all
- 25% said they only felt comfortable to share to a few investors
- 11% noted they only feel comfortable to share to an investor after a few calls
- 5% said they would only feel comfortable to share with those investors already on their cap table.

How often founders share their sexuality with investors



It should be highlighted that this experience was also not felt uniformly across the LGBTQ+ community - those founders who were gender minorities reported being less comfortable to share their identity with investors, with those noting they would never share their identity rising from 34% of all LGBTQ+ founders to 57% for gender minorities.

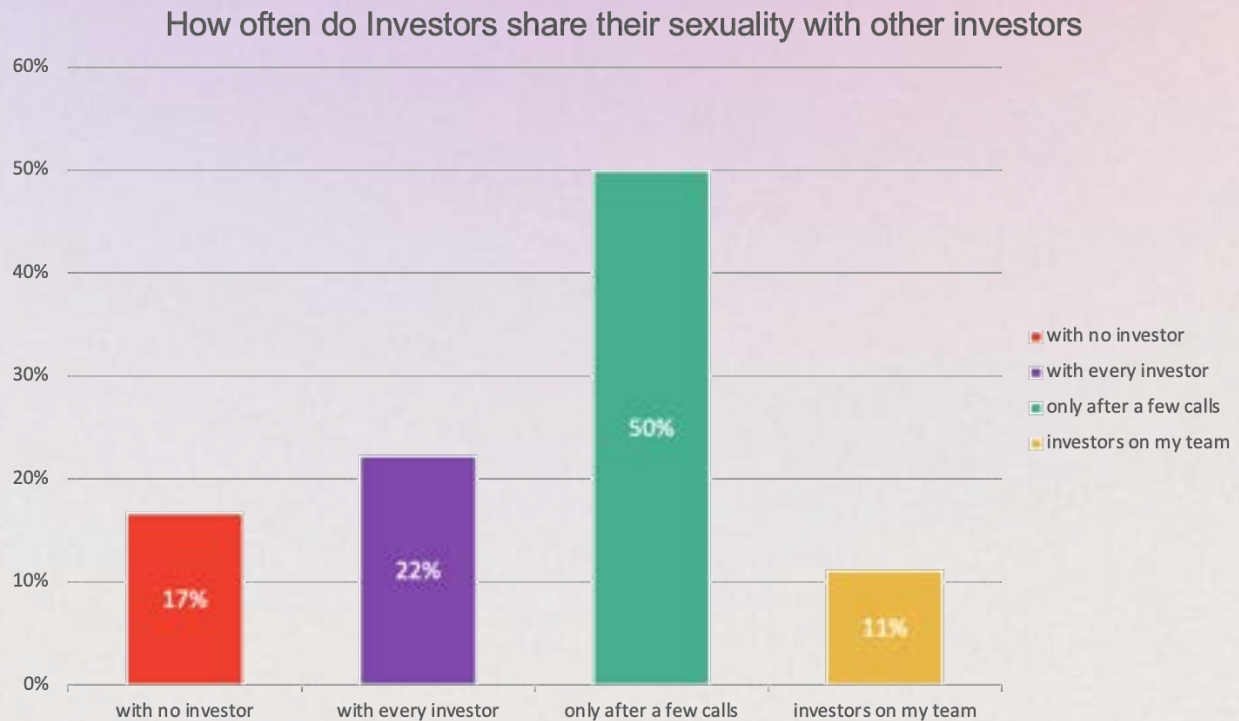
The data thus suggests that today LGBTQ+ founders in the UK do not feel comfortable to share their identity with investors, potentially due to a mix of fear, shame or nervousness. This was especially the case for LGBTQ+ founders who were gender minorities.

## **LGBTQ+ Investors**

We also asked LGBTQ+ investors how often they felt comfortable to share their identity with fellow investors. Whilst a minority of 22% of LGBTQ+ investors noted they were comfortable to share their identity with every investor they met, a significant majority of LGBTQ+ investors reported concealing their identity from other investors:

- 50% stated they would share their identity only after having met an investor a few times
- 17% stated they never would share their identity with another investor
- 11% stated they would only share with investors they are closest to or on their team.





The data thus highlights that the fact that many LGBTQ+ people currently do not feel comfortable to be open about their identity exists on both sides of the investment table.

## Why Do Founders Conceal Their Identity?

Of the founders who noted they were concealing their identity to some degree from investors, we asked them what was the reason why they didn't share:

- 45% of founders said that they thought it wasn't relevant to the situation
- 27% noted that they didn't feel comfortable to share
- 18% noted they felt sharing could harm their efforts at fundraising
- 10% noted that they didn't think it could help them.



## Why Is This Important? Health and Cognition.

Perhaps reading the above could elicit a question of if it matters that LGBTQ+ people are hiding their identity? If they aren't sharing their identity are they facing any discrimination?

Unfortunately, research is clear that this is not the case, as research has highlighted how there is a real negative impact from concealment on individuals, taxing their health and mental performance.

First, clear data has drawn a causal link between LGBTQ+ people practising increasing concealment and worse health outcomes.

Haztenbuehler & Camachoo showed that those with a concealable stigmatised identity (i.e. being LGBTQ+) are more likely to report worse mental health<sup>4</sup> whilst James Michael Brennan showed how individuals who conceal their gender and/or

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<sup>4</sup> Camacho, G., Reinka, M.A. and Quinn, D.M. (2020) "Disclosure and concealment of stigmatized identities," *Current Opinion in Psychology*, 31, pp. 28–32. Available at: <https://doi.org/10.1016/j.copsyc.2019.07.031>.

sexual identity are at greater risk of depression, anxiety, and substance use <sup>5</sup>. More shockingly, longer-term studies, such as those by researchers Shelley Taylor & Margaret E Kemery, have shown significant negative and more serious health impacts from concealment - those who identified as being 'half in the closet' were 2.17x more likely than those who were 'mostly' or 'completely out' to experience one of a number of infectious diseases (include pneumonia, bronchitis, tuberculosis) and cancers <sup>6</sup>.

Secondly, research has also shown that increased levels of concealment in individuals can be detrimental to memory and cognition.

ML Slepian's 2021 research showed that it is 'cognitively taxing to conceal information from others', with concealing something like an LGBTQ+ identity requiring 'a great deal of monitoring and vigilance' <sup>7</sup>. Juan M Madera more directly tied concealment to workplace performance through showing in a study that self-regulation, of which concealment falls under, 'comes with a cost' - not only is it a 'limited resource that can be depleted' but also depleting your self-regulation can further impair your ability to carry out additional memory or cognitive tasks <sup>8</sup>. Schmeichel's study further found has found that participants in studies who engaged in self-regulation in one task 'performed worse at logic and reasoning, cognitive extrapolation, and reading comprehension' than those who were not self-regulating their behaviour <sup>9</sup>.

Thus, research suggests that LGBTQ+ founders and investors not feeling comfortable to share their identity can have a negative impact, both on the health and mental performance of those individuals.

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<sup>5</sup> Brennan, J.M. (2019) "Navigating the Closet: A Mixed Methods Approach to Assessing the Impact of Concealment on Psychological Outcomes for Sexual and Gender Minorities," Graduate Student Theses, Dissertations, & Professional Papers, ScholarWorks at University of Montana [Preprint].

<sup>6</sup> Cole, S.W. et al. (1996) "Elevated physical health risk among gay men who conceal their homosexual identity.," *Health Psychology*, 15(4), pp. 243–251. Available at: <https://doi.org/10.1037/0278-6133.15.4.243>.

<sup>7</sup> Slepian, M.L. (2022) "A process model of having and keeping secrets.," *Psychological Review*, 129(3), pp. 542–563. Available at: <https://doi.org/10.1037/rev0000282>.

<sup>8</sup> Madera, J.M. (2010) "The cognitive effects of hiding one's homosexuality in the workplace," *Industrial and Organizational Psychology*, 3(1), pp. 86–89. Available at: <https://doi.org/10.1111/j.1754-9434.2009.01204.x>.

<sup>9</sup> Schmeichel, B.J., Vohs, K.D. and Baumeister, R.F. (2003) "Intellectual performance and ego depletion: Role of the self in logical reasoning and other information processing.," *Journal of Personality and Social Psychology*, 85(1), pp. 33–46. Available at: <https://doi.org/10.1037/0022-3514.85.1.33>.

In summary, the data we collected from LGBTQ+ founders and investors highlight that today a majority of LGBTQ+ people in our ecosystem don't always feel comfortable to share their identity with other investors in the ecosystem. Research also suggests that this reality is negatively impacting LGBTQ+ founders and investors both in terms of their mental performance and their health.



# **LGBTQ+ founders face additional barriers to raise, felt most women\* and gender minorities in the community.**

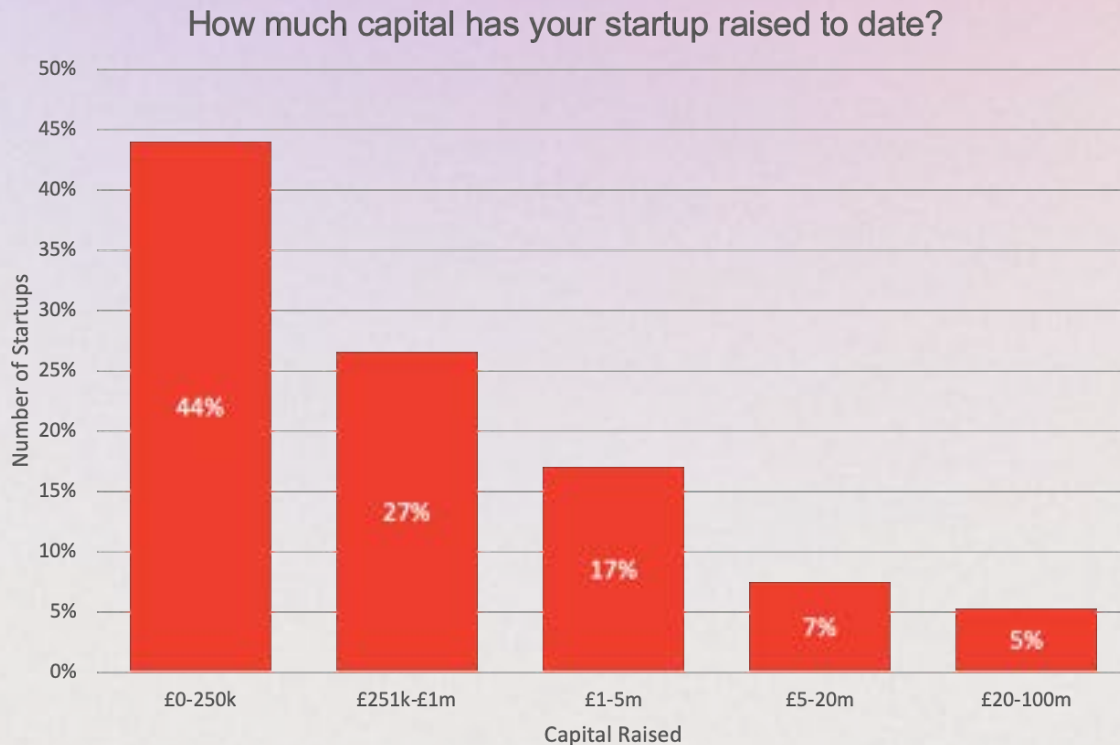
Our data shows for the first time the clear variations within the LGBTQ+ community on the amount of venture capital funding raised. Founders who identified as cisgender men and/or gay on average raised far more than other parts of the community, with clear barriers apparent for women\*, ethnic and gender minorities to raising venture capital.

We also recorded an estimate from founders on how much revenue their startup had generated. Interestingly, whilst gay and/or cisgender gay men on average had generated more revenue in their startups, the difference with other minority groups was relatively far less than with capital raised, suggesting that women\*, gender and ethnic minority founders have generated greater revenue per £ of VC funding raised.

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We asked respondents how much capital their startup had raised as well as an estimate of much revenue their company had generated. We used these data points and overlaid them with other data founders anonymously shared about themselves to surface trends and correlations around fundraising and revenue generation in our community.

Taking a high-level view, the total amount reported being raised by all respondents was £631,606,220, with an average £4,959,668.76 and median of £300,000. This variation between median and mean was expected due to the power-law distribution that is common in startups, with only very few companies surviving long enough to raise significant rounds of capital. This distribution can be seen on the graph below:

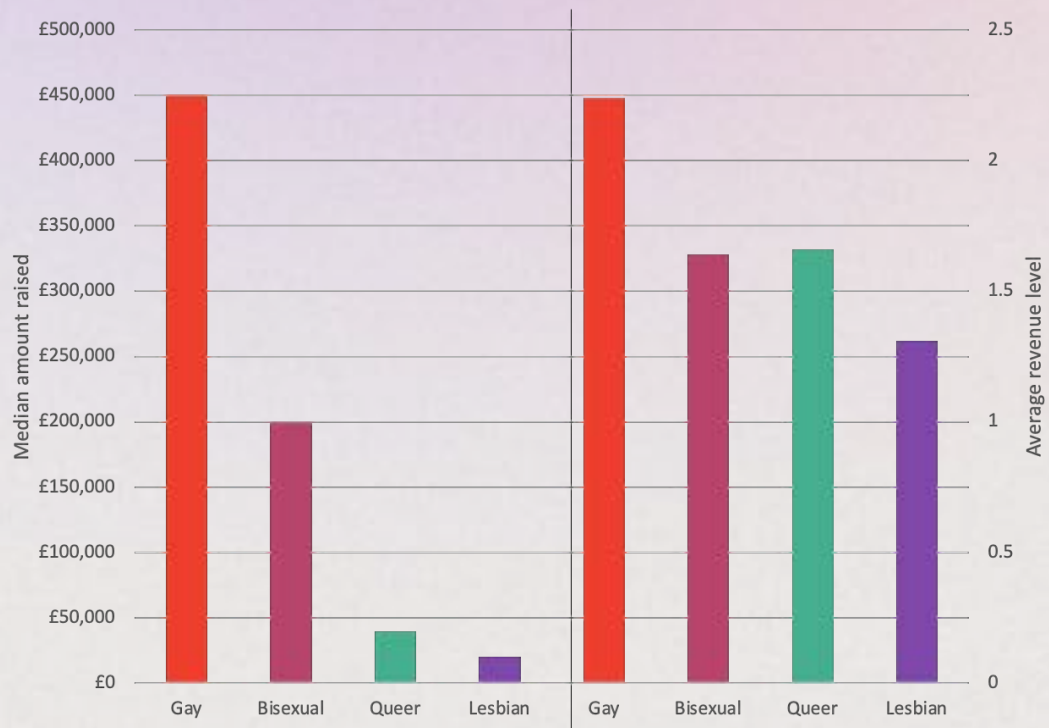


To try to make a comparison between capital raised and revenue generated per company, whilst also preserving the anonymity of respondents, we asked respondents to select which of the below categories best represented the total amount of revenue their startup had generated:

- 1 - £0-50k
- 2 - £51k-150k
- 3 - £151k-£1m
- 4 - £1-5m
- 5 - £5-20m
- 6 - > £20m

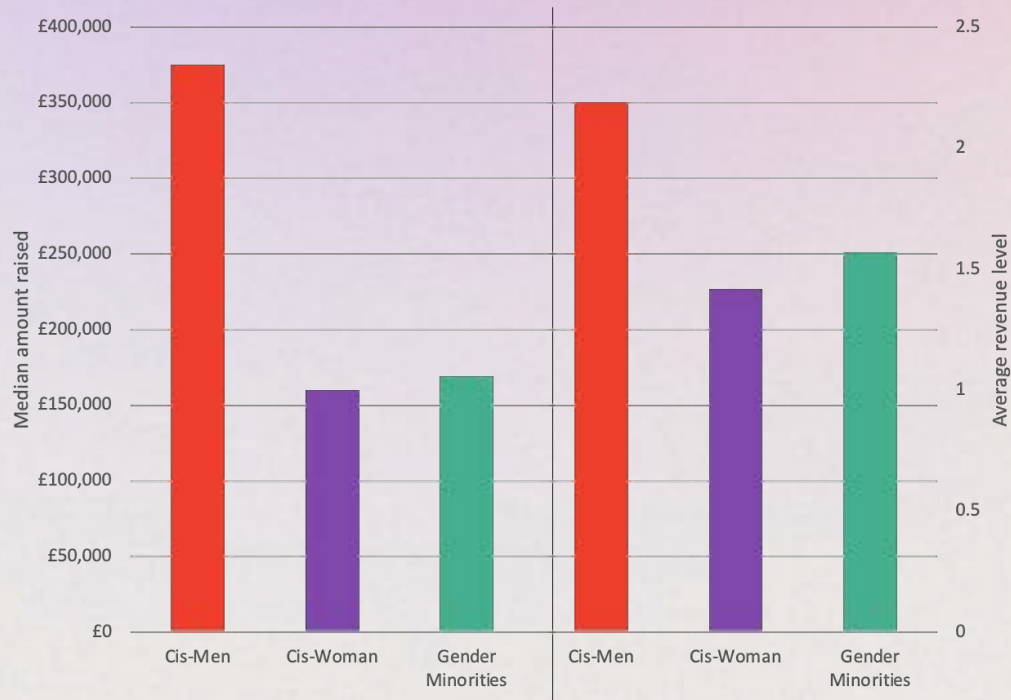
When we segmented the data by the identities of the founders and these two data points, clear trends emerged in the data for some minority groups facing additional barriers to raising capital.

First looking at sexual identity, there were clear trends in the data. The left bars in the chart below show the median amount of capital that different sexual minorities raised, whilst the right bars show the mean amount of revenue founders had generated. Whilst founders identifying as gay have raised on average more capital and generated more revenue, the relative difference between them and other sexual identities was far lower for revenue generated than capital raised.



(NB - in this reporting, we had a small number of founders identifying as Pansexual and Demisexual - unfortunately due to the very small numbers, these significantly warped the results so we've excluded them for this analysis)

Similarly, when looking at gender identity and gender minorities in our data set with the same two data points, similar trends emerge. The left bars show the median amount of capital raised by founders based on their gender identity whilst the right shows a mean of the revenue these founders had generated. Whilst again cis men founders had on average raised more and generated greater revenue, the difference was relatively less for revenue generated than capital raised.



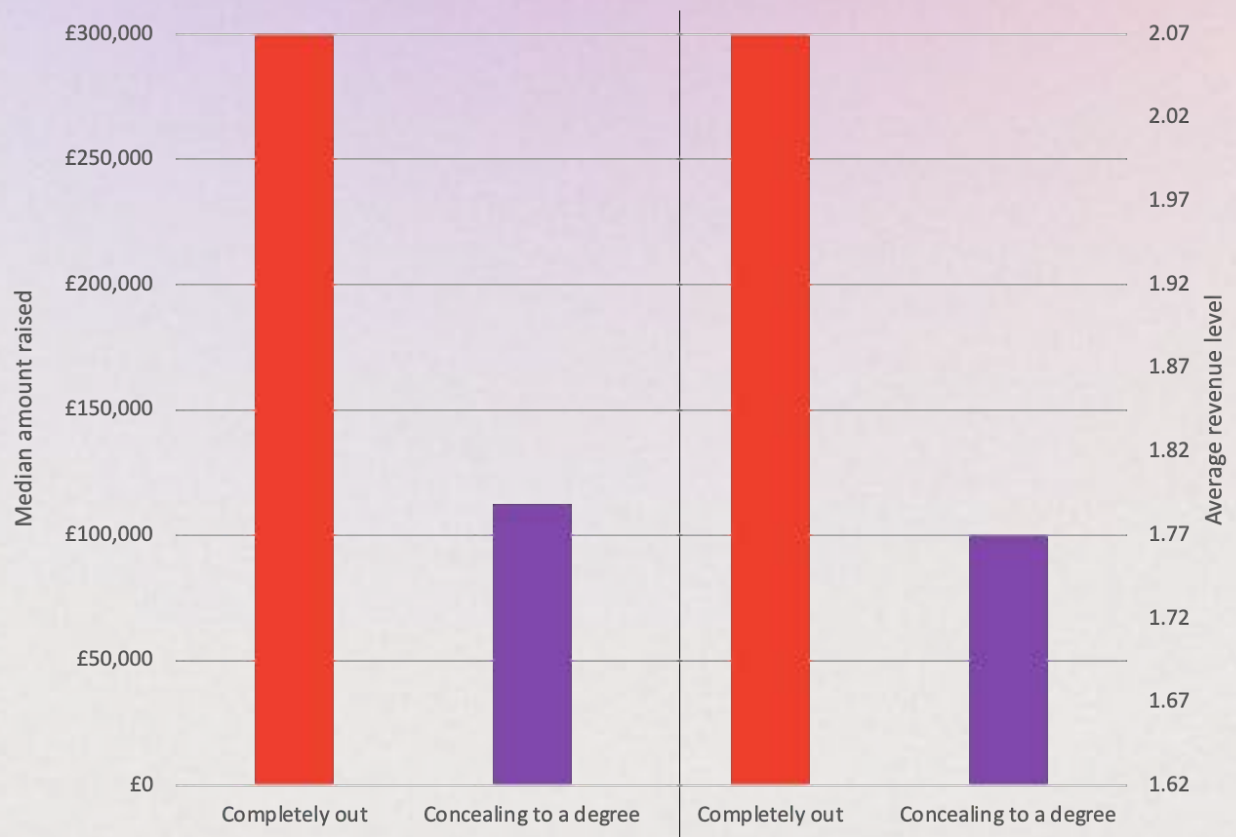
There are a number of possible suggestions for why this is the case, but one explanation is that LGBTQ+ founders beyond gay and/or cis men founders have historically been more efficient in terms of revenue generated per £ raised in venture capital funding.

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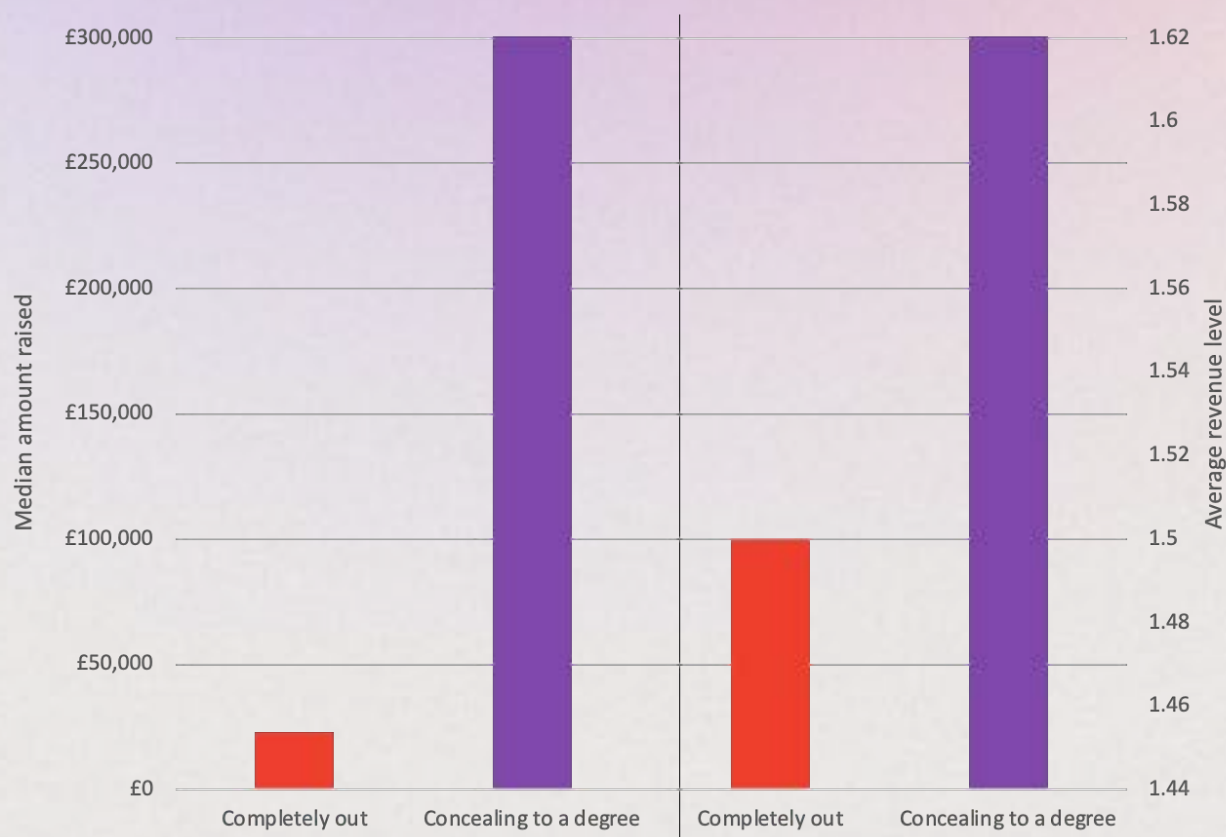
Finally, we also looked at whether the data showed any correlations between how much a founder was concealing their identity and the amount of capital they had raised. For this short analysis, we took the extreme and considered someone fully concealed if they reported never sharing their LGBTQ+ identity with investors at all and not out if they answered any of the other options.

Interestingly, the data showed a correlation between sexual minorities who were more open about their identity and greater capital raised. On the chart below, the left bars show the median of amount raised divided by how open they are and the same analysis is done on the right bars but instead looking at revenue generated. Both clearly seem to suggest that the more open founders are in terms of their sexual identity, the more capital and revenue they have raised to date.





However, when looking at gender minorities, for which we had a much smaller number of respondents, it unfortunately seemed to show the opposite trend. In the chart below, the left bars show capital raised whilst the right bars show revenue generated. Both show that for those founders who were more open about their gender identity, they raised less and generated less revenue.



Thus our data shows trends for sexual and gender minorities between how open they are and the amount of capital raised and revenue generated. Unfortunately, we can't exactly pinpoint what are the causes behind these trends from our data set alone but we hope this could become the focus of future research.

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Overall, it is clear from our dataset that within the LGBTQ+ community there is considerable variation in both the average and median amount of capital raised and revenue generated. Those groups who have intersectional identities across multiple minority groups (e.g. women\* and LGBTQ+ or ethnic minorities and LGBTQ+ individuals) or those who are gender minorities have faced the greatest barriers to raising capital from investors to date. Furthermore, our data highlighted that there are early signs of correlations between how open a founder is about their identity and the amount of capital they have raised and revenue they have generated.

# Investors are largely not taking action to support LGBTQ+ Founders, combined with some isolated shocking stories of queerphobia.

Our data shows that, whilst a significant majority of investors say they are taking action to support 'diverse' founders, very few are taking action to support LGBTQ+ founders, suggesting they are an overlooked minority in venture. This unfortunately is not a new phenomenon, with other research showing how LGBTQ+ individuals are consistently overlooked in diversity efforts across many industries.

An interesting correlation also emerged in our data on which investors were already taking action - those who knew more LGBTQ+ founders in their portfolio were far more likely to state that they were taking action already to support LGBTQ+ founders.

Within this wider inaction, there was a positive sentiment of investors seeking to know what they could do to better support LGBTQ+ founders and a small number of investors already taking positive actions.

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We asked investors some questions around how they were currently looking to better support diverse and also specifically LGBTQ+ founders today.

We first asked investors if they or their fund were proactively taking steps to be 'more inclusive to diverse founders' as a whole. Positively, 80% responded that they were already taking proactive action to better support LGBTQ+ founders.

However, when we asked investors if they were doing anything to support LGBTQ+ founders, the number saying Yes dropped considerably from 80% to 26%. Instead, the amount saying No grew by nearly 4x to 41% and the amount who were unsure grew by nearly 5x to 33%



This seems to clearly suggest that today for many UK investors, LGBTQ+ founders are not seen as being a core part of the wider group of 'diverse' and underrepresented founders who need greater action.

This could be seen in the [Atomico State of European Tech Report 2022](#), seen by many as the leading annual research on the VC ecosystem and has historically produced very useful research on diversity. This year, the section on Diversity titled '[State of DEI](#)' made absolutely no mention of sexual identity or gender identity at all, beyond a male/female binary divide.

This conclusion is also one that has been reached in other sectors. [OUT Leadership's research](#) on LGBTQ+ representation at board level of Fortune 500 companies has shown that in 2021 only 12 companies in the Fortune 500 mentioned sexual orientation and gender identity in their board diversity guidelines as targets.

Notably, this view was also shared unprompted by some investors when we asked if they could share if they were doing anything to support LGBTQ+ founders:



*'Unfortunately, no steps yet to support LGBTQ+ founders. Current focus is on female and ethnic minority founders.'*

*'None specifically now, but this has prompted me to think about it. Keen to see what others who fill this survey do.'*

Unprompted, founders also shared a similar hypothesis with us when we asked what investors could do to make them feel more comfortable:

*"Give as much attention to the LGBTQ+ community as you do to the ethnic minority community and female founders. I find that LGBTQ+ as a minority group is often second priority for these types of investors."*

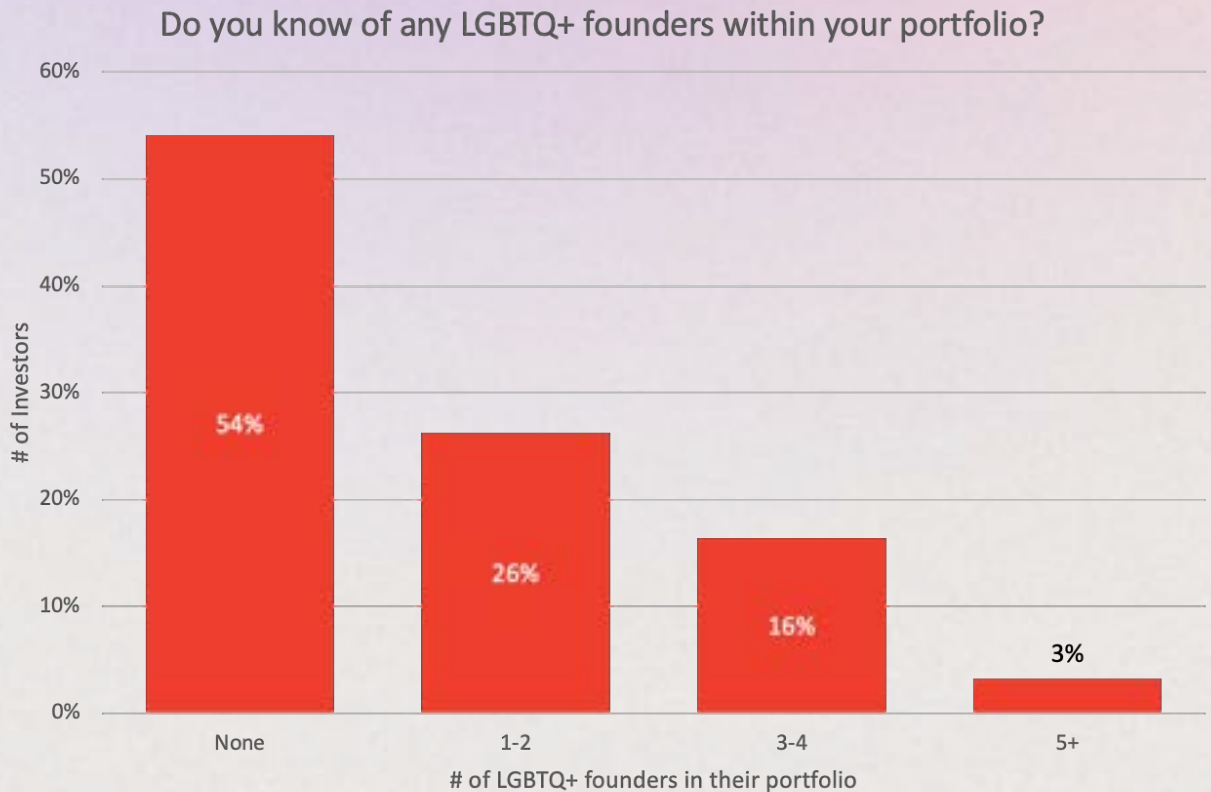
*"Investors who talk about other social issues like racial, gender and class equality, I tend to see that as a proxy for progressive views on queer issues. However, I think there's almost complete silence from investors on how bias against queer people can affect the investment process."*

*"If they showed any interest in this world of diversity. There's a lot of talk about female founders, black founders, and no talk about LGBT founders."*

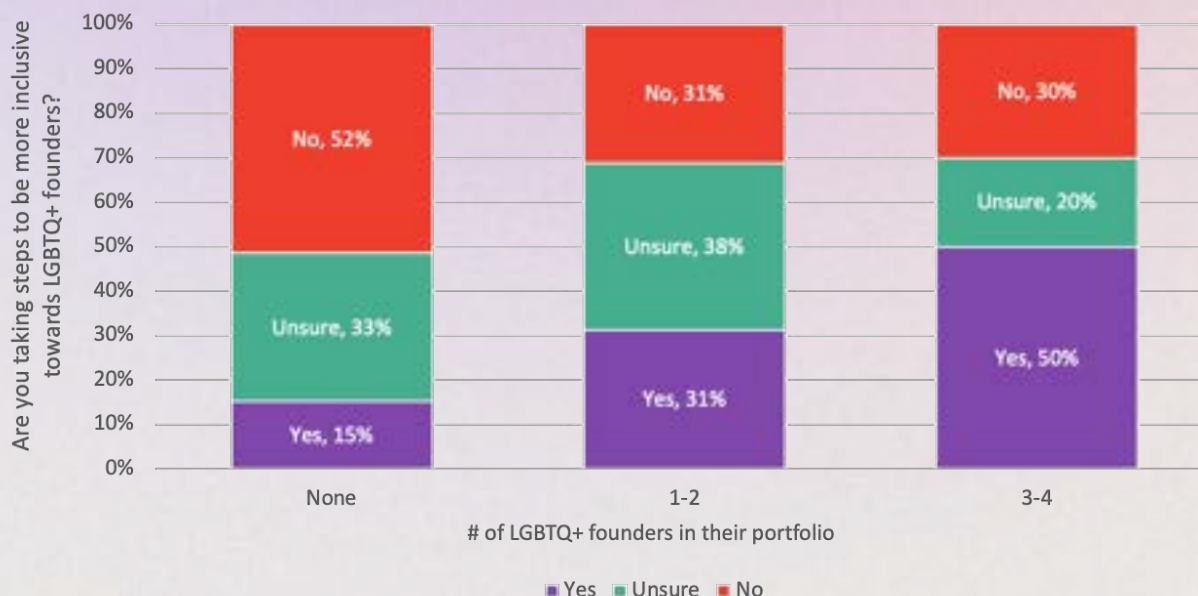
Reading these quotes, we want to be clear that we are in no way calling for some sort of competition between minority groups on who receives support. This would be counterproductive and nonsensical. We see the above quotes, and examples from our own experiences, as focused on calling out the lack of engagement with the LGBTQ+ community that exists today.

Faced with these early findings, we then sought to understand if there were any correlations in the data which could inform a hypothesis on why some investors and funds are taking action and others aren't. We overlaid a range of data points including seniority, ethnicity and gender of investor, stage of funds and geography invested. However, there was one data point that proved to have a strong correlation: how many LGBTQ+ founders an investor knew in their portfolio.

The graph below shows how many investors identified as knowing LGBTQ+ founders within their portfolio.



When we then overlaid this data with whether investors were taking action to support LGBTQ+ founders with a clear correlation emerging, as shown on the chart below. If investors knew no LGBTQ+ founders in their portfolio, just 15% were taking action to support LGBTQ+ founders. Whereas of those who knew 3-4 LGBTQ+ founders in their portfolio, 50% identified as taking action to specifically support LGBTQ+ founders.



Thus the data we collected seems to provide some clear evidence that LGBTQ+ founders today are overlooked as a minority group by investors. Furthermore, the data also showed a correlation between investors knowing more LGBTQ+ founders in their portfolio and being more likely to take action.

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Within the data there were unfortunately also some more overt examples of queerphobia that founders have faced whilst fundraising.

As we didn't directly ask founders the question of if they had faced overt discrimination, most examples of this in our data set we received are short remarks around discrimination or times founders had been made to feel uncomfortable - for example a founder noted they were paired with an operating partner who regularly made jokes 'laugh[ing] about bad things being gay', talking about strippers and 'texting [the founder] naked pics of women during the pandemic'.

In addition to the above, a founder also shared in more detail their experience below how their fundraising was impacted as a result of their identity:

Anonymous, Cis bisexual founder: [Edited for clarity]

*"Don't make a drunken slur at a founder you spoke to days earlier and don't sweep it under the carpet as a cultural thing."*



*Once an investor at [Fund redacted], discovered I was gay - made a comment about it (when drunk in the street) and sent an email saying he was passing on investing because there wasn't a very good, quote "cultural fit" with the fund he represented.*

*This is the first time, I'm putting this in writing, the experience of rejection because of something so personal made me afraid to truly be me for about 12 months after the experience. It was a big confidence smash, I found myself lying and pretending I had a GF at work and to investors...I even found myself drinking more and researching conversion therapy - it was a very tough time. I only told one person about what had happened and was honestly too afraid that if I spoke out somehow they would make sure I didn't raise any money. It's only now that I have commitment to our Series A and have fast growing MRR that I feel able to 'out' the person responsible. Through recently telling someone I have two founders reach out after having had issues with the same person.*

*I would like to see generations of homophobia and transphobia vanish, but that's not going to happen."*

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Whilst these are shocking and should be highlighted, it is worth noting there were also some silver linings in the data regarding engagement from investors. Whilst the vast majority of investors aren't currently doing anything to support LGBTQ+ founders, a small number suggested they would take action if given more information about the problem and solutions:

*"We would like to ensure that founders feel that our fund and application processes are both safe spaces. I'm genuinely interested to understand how we can do better."*

*"In all honesty, I would love to say we are taking a proactive approach. I would love to learn what the best course of action would be for a fund [and] successful approaches other funds are taking."*

Even more positively, a small minority of investors shared some of the proactive actions that they and their fund have already been taking to support LGBTQ+ founders which we wanted to highlight:



*“Engaging with LGBTQ+ founder events, initiatives and programmes for launching and scaling business ideas”*

*“Founders from minority backgrounds are taken straight to a first round meeting to try and positively discriminate”*

*“Participate in events that support the community, talking to LGBTQ+ founders and learning about ways that can help as a VC”*

*“We proactively source diverse deal flow by tracking diversity metrics in our CRM tools (50% minimum of all deals having diverse senior management teams), we support diverse founders at early stages with advice/feedback/guidance, we include D&I metrics within our DD, we have an 'Inclusion Clause' in our standard term sheet (equal opportunity) and we encourage portfolio companies to identify one D&I objective to address at every board meeting.”*

*“Queer investment team members being part of VC/queer founder communities”*

*“Trying to support various LGBT in tech initiatives to broaden inclusion and allow founders to be part of our network and ecosystem.”*

And finally our personal favourite - long live the startup sourcing drag show events:

*“Actively sourcing from groups & areas with more LGBTQ+ concentration (sourced in Drag shows), speaking to other LGBT+ founders and refer them to other investors, supporting them in other, more personal activity.”*

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In summary, it is clear that investors in the UK tech ecosystem are largely overlooking LGBTQ+ founders and not taking action to support them. Our data appears to suggest that there is a correlation between those founders who know more LGBTQ+ founders in their portfolio being more likely to be currently taking action to support LGBTQ+ founders. We were shocked to read some of the negative experiences LGBTQ+ founders have had with a minority of investors. However, there was a small silver lining, with a number of VCs stating they would be keen to take action if they were better informed and a small number of VCs who were already taking proactive action to better support LGBTQ+ founders.

# **The LGBTQ+ community is not a monolith, but instead a wide collection of identities, experiences, views and backgrounds.**

The data we collected also clearly highlighted the significant breadth and diversity of founder experiences, even just within the LGBTQ+ community. There is far from one shared experience, especially as a result of differences between sexual and gender minorities and the impact of intersectionality on individuals.

Thus, when engaging with the LGBTQ+ community, keep an open mind to the significant different perspectives and experiences that two people in the same minority group can have.

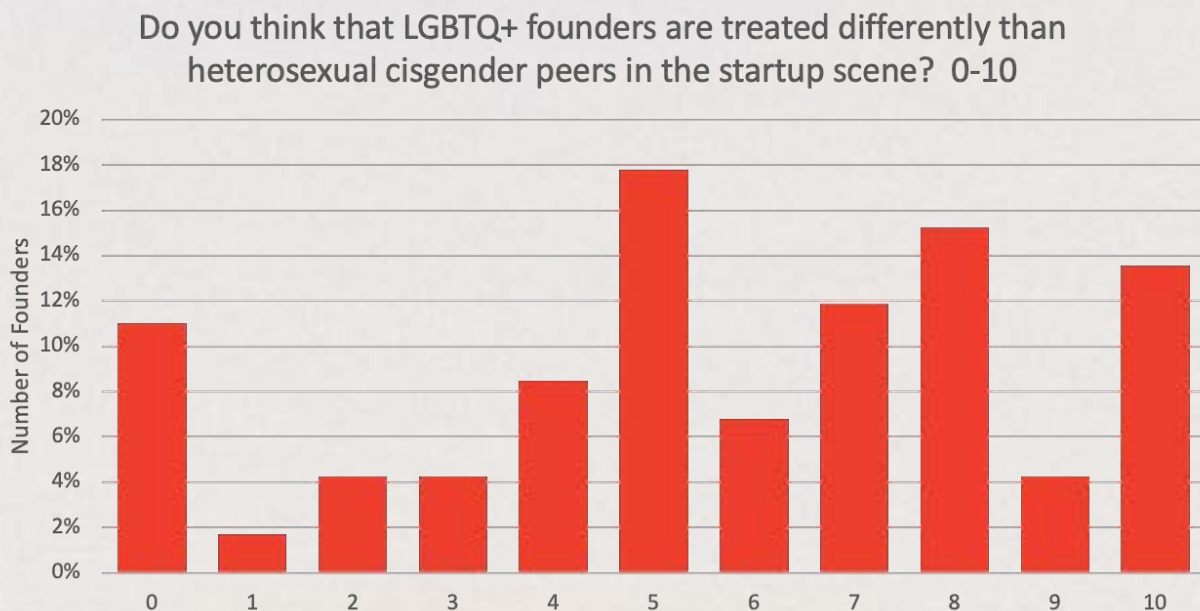
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When engaging with other investors on LGBTQ+ issues, sometimes we've had the impression that people outside our community view the LGBTQ+ community as somewhat of a monolith, with everyone inside having a similar, single, shared experience.

The reality is far from this. The experiences and perspectives of individuals who are sexual or gender minorities will often be significantly different, specially when considering the impact that intersectionality and being part of multiple minority groups can have. When people identify from several different marginalised communities, they then experience overlapping systems of discrimination and disadvantage. As a result, members of the LGBTQ+ community who also are part of other minority groups, including gender, race, socioeconomic, sexual orientation, disability, religion and more, will have very different experiences to others in the community,

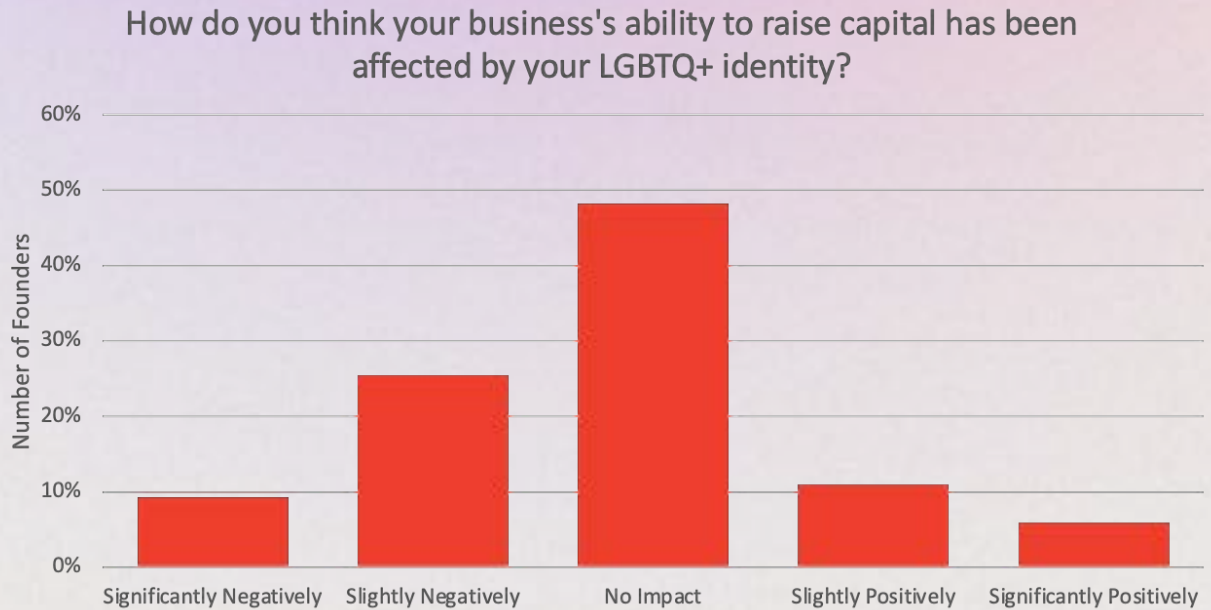
Our data reflects this reality even just looking at the first question we asked founders. It read, 'do you think that LGBTQ+ founders are treated differently than heterosexual cisgender peers', with 0 defined as 'not treated differently' and 10 being 'treated very differently'.

Whilst the chart below shows an overall consensus that LGBTQ+ founders are treated differently to their heterosexual, cisgender peers, there was a significant variance in to what degree LGBTQ+ founders felt they were treated differently. The average response was 5.65/10, yet over 25% of the responses were at either of the two extremes.



The variance in our community can be seen more clearly if we take one data point and show the variance that exists. We asked respondents if they felt their LGBTQ+ identity had impacted their ability to raise, rating between -2 (very negative) and +2 (very positive). The graph below shows the distribution of responses from all LGBTQ+ founders: half thought it didn't have any impact, with 1 in 3 saying it had a negative impact and 1 in 5 saying it had a positive impact.



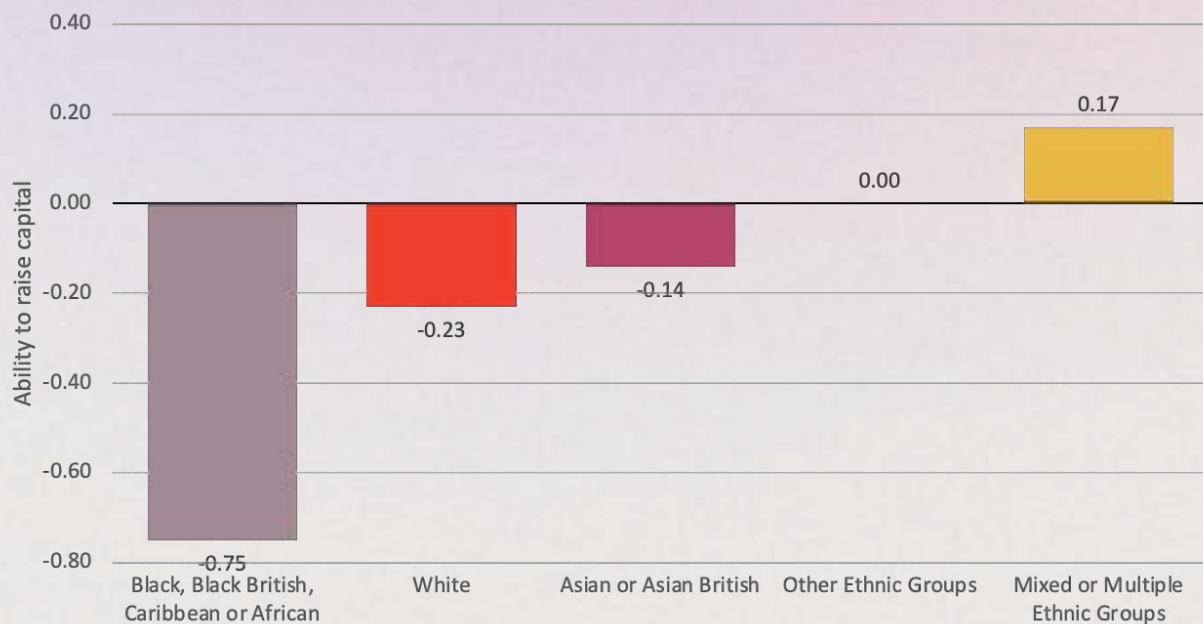


However, when we overlaid different data points on sexuality, gender and ethnicity, very different answers were given. For example, if you look at how different sexual minorities argued their business' ability to raise had been affected by their identity, clear differences emerge between sexual identities:





Similarly, if you do the same analysis but instead comparing the answers given by those identifying as different ethnic minorities, significant differences in perspective emerge.



As a result, it is clear that there is no shared experience in the LGBTQ+ community - not only are there significant differences between those who are ethnic and gender minorities, but also those who are part of multiple minority groups face additional barriers, discrimination and disadvantage.

# Recommendations - What Can You Do About This?

The aim of this report has always been both to highlight an overlooked minority in our ecosystem, but also give people the tools to start making a difference. Below we've detailed 5 recommendations that every VC and investor should be taking to be more supportive and inclusive to LGBTQ+ founders.

Overall, being more inclusive and open to LGBTQ+ and diverse founders requires an holistic diversity strategy which is visible and supported at all levels of your firm.

Below are 5 concrete actions you and your colleagues should take to better attract great LGBTQ+ founders and be more inclusive in your investment decisions towards them.

## **Publicly show your support of LGBTQ+ founders**

- Our survey respondents were clear that there is currently a lack of any voices in VC sharing their support for LGBTQ+ founders, a potential big factor behind the high levels of concealment of LGBTQ+ founders today.
- This could be seen clearly when we asked founders what investors could do to make them feel more comfortable to share their identity:
  - *"Signage on their platform that they welcome LGBT founders / looking to address the lack of funding in this space and to solve problems in this market."*
  - *"If they were visibly open about inclusivity"*
- Putting this into action:
  - Post on LinkedIn (not just in Pride month) your support for LGBTQ+ founders
  - Add a page to your website which clearly states your support for LGBTQ+ and underrepresented founders and any actions you are taking to support them.
  - Attend or cohost events with some of the great LGBTQ+ communities in tech, such as [Series Q](#), [Intertech](#) and [Out in Tech](#).

## **Ensure yourself and your colleagues add your pronouns to emails, Zoom & LinkedIn.**

- Our respondents were also clear that sharing pronouns is a powerful way to signal that you are an ally and create an inclusive space for gender minorities in our community.
- This could again be seen in responses to our question of what would make founders more comfortable to sharing their identity:
  - *'Someone with pronouns in their bio is usually a safe signal'*
  - *'What'd help is if they are actively progressive. Signals that'd help: using pronouns, having some sort of label or certification that showed that they are LGBT+ inclusive.'*
  - *'I always share my pronouns at the beginning of a meeting, and if an investors does the same it's often a good indication of a safe space'*
  - *'If they were visibly open about inclusivity, i.e. showing/asking for pronouns.'*
- Putting this into action:
  - If you're unsure what pronouns are or what your pronouns are, here's a [helpful guide](#).
  - Add your pronouns to places in which you engage with founders - add them to your email signature, [your Zoom username](#) and [LinkedIn profile](#) as a starter.
  - When you introduce yourself to someone for the first time, note what your preferred pronouns are - e.g. 'Hi I'm X and She/Her are my preferred pronouns'

## **Undertake training and honest discussions internally, led by senior leadership**

- Our data clearly shows that our ecosystem has a long way to go before we can say that minority founders no longer face subconscious biases against them.
- As a result, its very clear that honest and difficult discussions need to be facilitated within your fund or with other people around you to help understand where you might have biases and how to work towards eliminating them.
- However, its clear from research, including by Harvard Business Review, that these initiatives both need to be facilitated by senior leadership to ensure widespread adoption and serious engagement as well as be focused on managing biases, changing behaviour and tracking progress.
- Putting this into action:



- Bring in experts to deliver unconscious bias training sessions for your teams
- Have leadership deliver workshops encouraging small groups of people to discuss and understand and challenge misconceptions.

### **Ensure your hiring prioritises diversity talent**

- Research is clear that more diverse investment teams both generate better returns and also attract more diverse talent (e.g. [Harvard Business Review](#)).
- Funds should look beyond tried and tested ways of hiring for intern and analyst roles and be proud of the socio-economic diversity of their team and why VC is a career option for a wide range of people.
- This was also highlighted by founders as something important when we asked what would make people more comfortable to be more open about who they are:
  - *'Having more diversity in VC firms'*
  - *'[If] there were visible LGBTQ members on the investment team'*
  - *'A more diverse mix of investors. Majority are of white, Herero privilege and there a lack of socio economic diversity also'*
  - *'Knowing that they are LGBTQ+ / have LGBTQ+ staff'*
- Putting it into action:
  - Always post Job Descriptions publicly and not relying solely on warm introductions for hiring.
  - Directly engage with diverse talent communities before you kick off your hiring, such as [Included VC](#), [Diversity VC](#), [City Gateway](#), [1000 Black Interns](#).
  - Ensure your job specs aren't discouraging diverse talent ([guide here](#)).
  - Directly engagement with under-represented communities, removing barriers to entry such as asking for warm introductions and implementing inclusive practices across recruitment policies.

### **Quantify DEI metrics in your fund**

- The first step to solve a problem is to measure it. Without metrics, its impossible to both understand your current situation and implement effective strategies to fix current problems.
- Every VC firm should benchmark and track diversity metrics for their portfolio companies, understanding the diversity of founders and their teams. It's important that this process is not just limited to more visible diverse groups



(often gender and ethnicity) and also include LGBTQ+, socio-economic, disability and more.

- Putting this into action
  - A very impactful action is adopting the [Diversity VC standard](#):
    - This is a full scope assessment of a VC's recruitment, culture, dealflow, and portfolio guidance policies compared to DEI best practices.
  - Anonymously survey your portfolio founders to understand historically which minority groups you have and haven't been investing in.
  - Track your diversity at the top of your pipeline with anonymous self-identification surveys for founders to identify themselves.

# Methodology

Our survey sought to capture the views & experiences of LGBTQ+ startup founders based in the UK as well as VCs based in the UK of any orientation and identity.

To ensure clarity, We will use two terms from here on out to describe different members of the LGBTQ+ community. 'Gender minority' (GM) will be used to refer to another who identifies as 'non-cisgender' - ie. their gender identity is not the same as the they were identified at birth. 'Sexual Minority' (SM) will be used to identify anyone who identifies as non-heterosexual - this encapsulates a range of identity labels, including lesbian, gay, bisexual, queer, pansexual.

Due to the fragmented nature of the LGBTQ+ founder community in the UK, a wide and public approach had to be used to collect the data. Two separate survey forms were used which were publicised widely in the UK tech community: by LGBTQ+ founder groups (including Series Q & Out in Tech, LGBTQ+ media (including Gay Times and [Attitude](#)), VCs & other investors (including Founders Factory) and through direct outreach to relevant founders and VCs through the personal networks of Proud Ventures members.

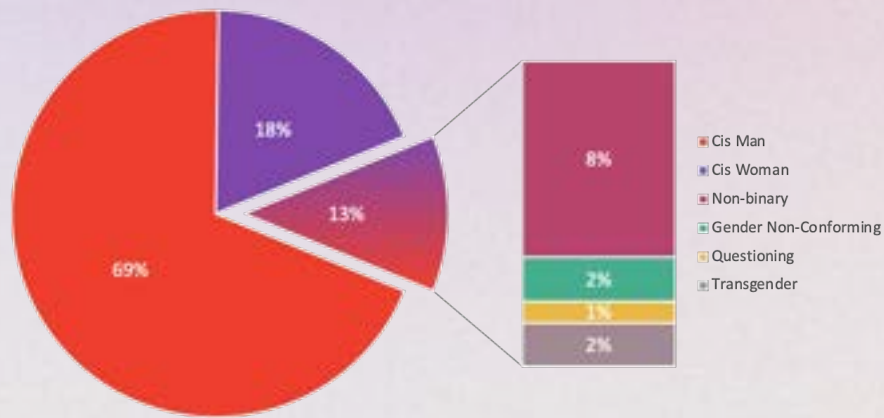
## Profile of Founders Surveyed

We had 130 founders in total fill out the survey. A number of submissions were outside of the scope of this report, including being based outside of the UK or not identifying as LGBTQ+, which left us with 118 founder submissions.

### **The Founders' Themselves**

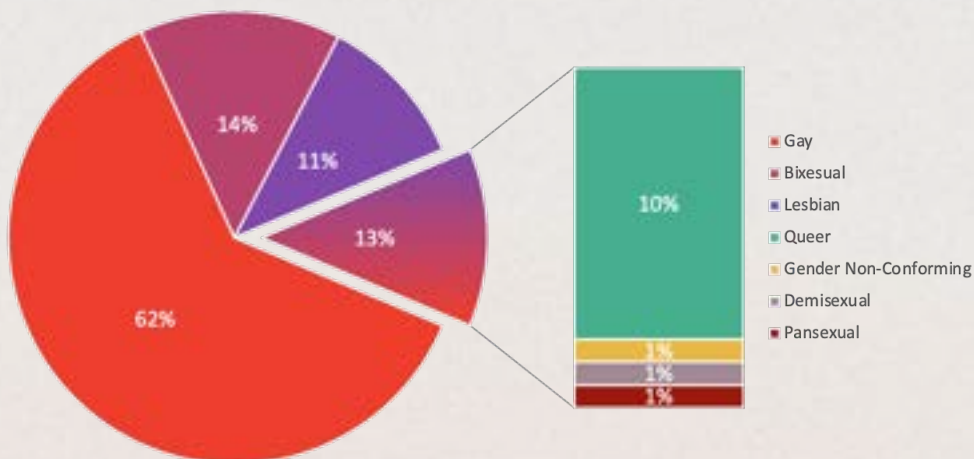
In terms of gender identity, 70% of our respondents identified as men, followed by 18% identifying as women\*, 8% identifying as non-binary and 2% identifying as gender non-conforming. Trans men are men and trans women are women, but we gave people the option to identify as Trans Men or Trans Women, of which 2% of people did.

Founder Gender Identity



In terms of sexuality, 62% of respondents identified as gay, 14% as bisexual, 11% as lesbian, 12% as queer, 1% as pansexual and 1% as gender non-conforming.

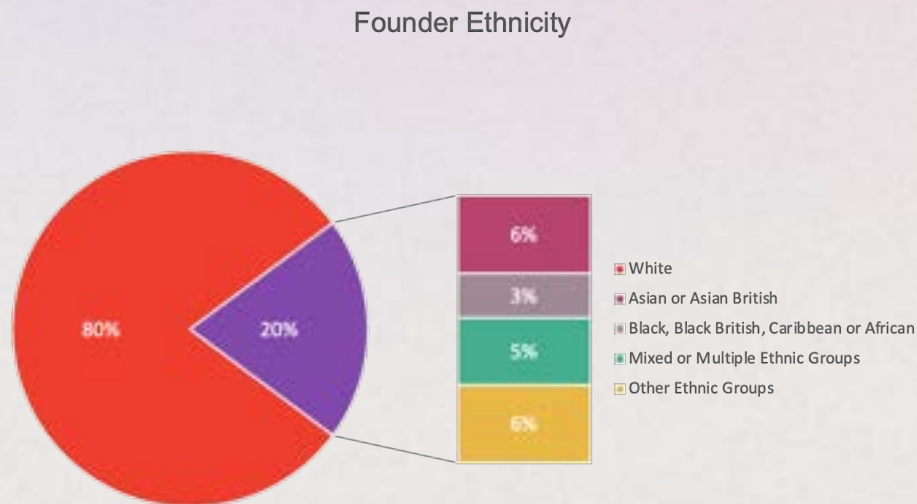
Founder Sexual Identity



In terms of ethnicity, our data set was significantly White (78%), with the next largest groups being Asian or Asian British (7%), Other Ethnic Groups (7%) and Mixed or Multiple Ethnic Groups (6%). This was slightly more diverse than the average for the



UK population (where 82% of the population is white)<sup>10</sup>. Figures to compare the ethnicity of our data set to the average UK founder population are hard to come by, but the Global Entrepreneurship Monitor UK in 2004 noted that just 8% of small business employers are led by Minority Ethnic founders<sup>11</sup> whilst Atomico's State of European tech reported that all-minority ethnic founders received just 1.58% of VC funding between 2009 and 2019<sup>12</sup>.



We also wanted to understand the differing socio-economic backgrounds of respondents. We asked founders about the level of education they had received, with a majority (57%) having received university education, 14% having achieved Postgraduate education, 13% having received High School education and 13% having received a further professional qualification.

We also sought to measure the social status of respondents, which was initially challenging due to differing social structures that exist in cultures around the world. We thus leveraged the [MacArthur Scale of Subjective Social Status](https://sparqtools.org/mobility-measure/macarthur-scale-of-subjective-social-status-adult-version/)<sup>13</sup> created by health psychologist Nancy Adler - respondents were asked to imagine a ladder with 10 rungs and told that each rung represents where people stand in society, with those who have the most money, education and jobs at the top and vice versa.

<sup>10</sup> <https://www.ethnicity-facts-figures.service.gov.uk>

<sup>11</sup> <https://startups.co.uk/analysis/the-average-entrepreneur/>

<sup>12</sup> <https://2020.stateofeuropeantech.com/chapter/diversity-inclusion/article/diversity-inclusion/>

<sup>13</sup>

<https://sparqtools.org/mobility-measure/macarthur-scale-of-subjective-social-status-adult-version/>



Respondents were asked to state which rung they identified as being on when they grew up and then the present day to get a measure of their self-identified social class. This data was very interesting as it showed that our respondent founders are a socially upwardly mobile group, with people on average defining themselves as 5.8 on the ladder when growing up compared to 7.3 in the present day.

Finally, we asked Founders what their motivations were for building their companies. Founders were able to select as many as applicable from the list below:

- Seeking greater financial success
- Dissatisfaction with previous work
- Being your own boss and having autonomy
- Personal development through entrepreneurship
- Desire to contribute back to a community that you are a part of
- To achieve recognition and status
- Continue family tradition or follow other role models

Interestingly, contributing to a community they were a part of was most important to our founders, with 21% of total votes. This was closely followed by Being your own Boss (19%) and Personal Development (19%).

### **The Companies That LGBTQ+ Founders Are Building**

The average age of the companies our founders are building was 3 years old, with 8% starting their ventures in 2022. The most common year of founding was 2020 (25%) with 4% of companies having been founded before 2015.

Of these companies, the median fundraising stage they had achieved was having already raised a Pre-Seed (26%), with a large number still Bootstrapping (29%). A number of later-stage founders filled out the report, including 10% who'd raised Series A and 4% who'd raised Series B, C or D+ rounds.

The companies being founded were across a wide range of sectors, with largest concentrations in Health (13%), Fintech (9%), Marketplaces (7%) and AI & Big Data (7%).

### **Geography**

The majority of respondent founders were born in the UK (63%). Outside of the UK, 18% were born in other parts of Europe, 7% from across Asia, 4% across Africa, 3% across North America, 2% from Oceania and 2% from South America. Interestingly,

the proportion of our respondents born overseas at 37% was far greater than the UK average at 16.8%<sup>14</sup> and also greater than Tech Nation's reporting that 18% of British tech startups were founded by immigrants<sup>15</sup>.

Today, 69% of respondents were based in Greater London with the remaining 31% spread across the UK - greatest concentrations were in Cambridge (3%), Surrey (3%), Oxfordshire (3%) and Greater Manchester (2%). This is overweight of founders in London is in line with the current reality of the UK venture ecosystem, 81% of Venture capital funding goes to London companies<sup>16</sup>.

## Profile of Investors Surveyed

Our survey was filled out by 61 investors based in the UK.

### **The Individuals**

We asked investors around their sexual and gender identities.

In terms of sexual identity, 72% of respondents identified as heterosexual, 18% as gay, 8% as bisexual, 6% queer and 2% Lesbian.

Looking at the gender identity of investors who filled out the report, 67% identified as cisgender men, 30% as cisgender women and 3% as non-binary.

It should be noted this is likely an overweighting of investors identifying as LGBTQ+ due to the individuals and organisations who shared the report - with Proud Ventures and other organisations being completely or majority LGBTQ+, this likely resulted in more LGBTQ+ investors seeing and filling out the report than average. We would have liked to counter this by benchmarking this data to other data on the sexuality and gender identity of VCs and investors in the UK, but this data doesn't exist or we were not able to find it.

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<sup>14</sup>

<https://www.reuters.com/world/uk/england-wales-foreign-born-population-rises-by-25-million-decade-2022-11-02/>

<sup>15</sup> <https://www.uktech.news/news/industry-analysis/uk-tech-international-founders-20220908>

<sup>16</sup> <https://www.uktech.news/news/industry-analysis/london-venture-capital-20220802>

## **What Respondents Invest Into**

All respondents were professional investors, with a majority working in Venture Capital (75%) with a further 16% identifying as angel investors and 8% who invested through Venture Studios or Accelerators.

The geographic remit of these UK-based investors was overwhelmingly UK-focused, with 98% investing in UK companies. 72% investing across Europe, 25% across North America, 11% across South America and 13% across startups in Asia.

Respondents invested across a range of stages, with the Seed stage being the stage where most were active (78%). This was followed by 62% who invested in Series A companies, 52% who invested in Pre-Seed Companies, 22% who invested in Series B companies and 4% who invested in Growth opportunities. This skew towards early-stage venture was likely driven by the membership of Proud Ventures, who's members are majority at the early stages.

VCs who filled out the report had a range of seniorities, with 43% being associates, 24% being principals, 14% partners or managing partners, 10% being analysts, and a small number of vice presidents & venture partners.